

Mandatory Retirement Age for State Patrol

Background

Since the inception of the Washington State Patrol Retirement System (WSPRS) members have been required to retire at age 60, except the Chief, who may serve until age 65.

Committee Activity

Presentation:

November 18, 2003 – Full Committee Meeting

December 16, 2003 – Executive Committee Meeting

Recommendation to Legislature

On December 16, 2003, the Chair and Vice-Chair of the Select Committee on Pension Policy (SCPP) sent a letter to Rep. Ed Murray requesting that the Legislative Transportation Committee (LTC) consider the proposal of the Washington State Troopers Association to increase the mandatory retirement age for members of the Washington State Patrol Retirement System from 60 to 65. Specifically, the letter requests that the LTC consider the implications of the proposal for the safety of transportation in the State of Washington. Further, the letter requests that the LTC incorporate a study of this matter into its 2004 interim work plan.

Staff Contact

Laura Harper – 360-586-7616 – harper_la@leg.wa.gov

Select Committee on Pension Policy

Mandatory Retirement Age in State Patrol

(December 10, 2003)

| | |
|--------------------------|--|
| Issue | Increase the mandatory retirement age in the Washington State Patrol Retirement System (WSPRS) from 60 to 65. |
| Staff | Laura Harper, (360) 586-7616 |
| Members Impacted | Any of the 1,035 active members of the WSPRS could be impacted by such a change, as these members would be given the choice to work beyond age 60. Since 1997, however, the median retirement age for this plan has been 52. Five members have retired at age 60 since 1997. Currently there are eleven active members who are projected to be age 58 or greater by June 30, 2004. |
| Current Situation | All members of the Washington State Patrol Retirement System are required to retire at age 60, except the Chief, who may serve until age 65. |
| History | This proposal comes from the Washington State Patrol Troopers Association. The same proposal was introduced in the 2003 session as HB 1323. The bill did not move out of committee. |

Policy Analysis

The Washington State Patrol Retirement System is the only open state-administered system in Washington with a mandatory retirement age. The only other plans administered by the State that have mandatory retirement are the Judges and Judicial plans. The Judges plan closed to new members in 1971 and the Judicial plan closed to new members in 1988. In both plans

mandatory retirement is constitutionally required at age 75. The other public safety-related plans in Washington are the Law Enforcement Officers' and Firefighters' (LEOFF) plans. Neither LEOFF 1 or LEOFF 2 have mandatory retirement ages.

A number of state retirement systems for highway patrol members have included a mandatory retirement age in their plan provisions: in New Jersey and Ohio the mandatory retirement age is 55; in California, Minnesota, Missouri, and Nebraska it is age 60; and in Wyoming it is age 65. Some states have repealed the mandatory retirement age for highway patrol members. Those states include South Carolina and Utah, with former mandatory retirement ages of 62, and Massachusetts with a former mandatory retirement age of 55.

Stakeholder Input

See Attachment from the Washington State Patrol Troopers Association dated September 16, 2003 and attachment from the Washington State Patrol dated December 9, 2003.

Options

Only one option is proposed: to increase the mandatory retirement age for members of the WSPRS from 60 to 65.

Administrative Impact (DRS)

Input requested.

Executive Committee Recommendation

On November 18, 2003, this matter was recommended for consideration by the Executive Committee of the Select Committee on Pension Policy.

Bill Draft

See attachment.

Fiscal Note (Draft)

See attachment.



WASHINGTON STATE PATROL TROOPERS ASSOCIATION

200 UNION AVE. SE STE. 200 , OLYMPIA, WASHINGTON 98501 (360) 704-7530 FAX (360) 704-7527

September 16, 2003

The Honorable Chair & Members
Select Committee on Pension Policy
2420 Bristol Court SW, Suite 101
Olympia, WA 98504

Dear Members,

On behalf of the active and retired members of the Washington State Patrol Troopers Association the follow are issues relating to the Washington State Patrol Retirement Systems Plan 1 and Plan 2 that we would like addressed by the Select Committee for 2004 Legislative consideration.

1. During the 2003 Legislative Session HB 1323, an act relating to the mandatory retirement age of WSPRS Plan 1 and Plan 2, was introduced and presented to the House Appropriations Committee. The bill extends the current mandatory retirement from age 60 to age 65. Both WSPRS 1 & 2 are service-based systems allowing for a retirement benefit after 25 years-of service. The age 60 mandatory limit was established when Plan 1 had an age 30-entry limit. That limit was removed many years ago and as a result officers have been hired at ages over 30 and in some cases over 40, not allowing the member to serve 25 years before mandatory retirement. We feel the time has come to extend the mandatory limit to age 65.
2. The 2003 Legislature passed HB 1519, an act relating to death benefits for members of TRS, School Employees' Retirement System, and PERS. The new law provides for a survivor benefit paid to a survivor of a member killed in the "course of employment that is subject to an early retirement actuarial reduction. We propose that this same benefit be applied to members of WSPRS Plan 2. Currently the Death in Service Survivor Benefit for State Patrol Officers in Plan 2 with less than 10 years service the beneficiary receives only accumulated contributions to the system. The beneficiaries of officers killed in the line of duty should be provided with a benefit that is not actuarially reduced or a lump sum of contributions, but a monthly benefit as provided in HB 1519 or identical to that provided to WSPRS Plan 1 members.

Your attention to these issues will be greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert C. Thurston".

Robert C. Thurston
President

CC: Rick Jensen, Governmental Affairs

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary_st@leg.wa.gov

December 3, 2003

Mr. Ronal Serpas, Chief
Washington State Patrol
P.O. Box 42601
Olympia, Washington 98504-2601

RE: PROPOSAL TO CHANGE MANDATORY RETIREMENT AGE

Dear Chief Serpas:

We are writing you on behalf of the Select Committee on Pension Policy (SCPP) to solicit your input for our Executive Committee meeting scheduled for December 16, 2003. The issue before us is whether to increase the mandatory retirement age in the Washington State Patrol Retirement System from 60 to 65. This issue was brought to the Committee by the Washington State Patrol Troopers Association, and was introduced in the 2003 session as HB 1323. This proposal has been renewed during the 2003 interim and the Select Committee on Pension Policy heard it again on November 18, 2003. At that time, the Executive Committee for the SCPP deferred action on the measure until its December meeting.

One of the reasons for deferring this matter was to provide an opportunity for your office to give more definitive input on the proposal. We were advised at our last meeting that you are "neutral" on this issue. We would very much appreciate hearing your analysis and recommendations on behalf of the Washington State Patrol, and are requesting that you provide us with a written response by no later than December 9, 2003. Please provide a copy to the Office of the State Actuary (OSA) so that your response can be included in the materials that are compiled by that office for our committee meetings.

We would also appreciate your attendance at our Executive Committee meeting on December 16, 2003. Please contact Sandra Granger in the OSA in order to get more specific information as to the timing of this agenda item. Thank you for the important job you are doing for the State of Washington, and we look forward to hearing from you.

Sincerely,

Representative Steve Conway, Chair
Select Committee on Pension Policy

Senator Shirley Winsley, Vice-Chair
Select Committee on Pension Policy

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Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director
Office of Financial Management

Senator Don Carlson

John Charles, Director*
Department of Retirement Systems

Representative Steve Conway*
Chair

Richard Ford
PERS Retirees

Senator Karen Fraser

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TRS and SERS Employers

Bob Keller
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Doug Miller
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Glenn Olson
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Representative Cheryl Pflug

Diane Rae
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Senator Debbie Regala

J. Pat Thompson*
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Senator Shirley Winsley*
Vice Chair

***Executive Committee**

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STATE OF WASHINGTON
WASHINGTON STATE PATROL

General Administration Building, PO Box 42600 • Olympia, Washington 98504-2600 • (360) 753-6540

December 9, 2003

Representative Steve Conway, Chair
Select Committee on Pension Policy
PO Box 40914
Olympia WA 98504-0914

Dear Representative Conway:

Thank you for your December 3 letter regarding the proposal by the Washington State Patrol Troopers Association to change the mandatory retirement age from 60 to 65. As you know, my staff testified at the November hearing that we are neutral but have concerns on this issue.

Our concerns have to do with the fact that we don't see a compelling, public safety reason to change the current retirement age. As you may know, Washington State Patrol Retirement System (WSPRS) employees become "vested" for a retirement benefit after five years of service, and can collect that full benefit at age 60. After 25 years of service, WSPRS employees can retire with full benefits, irrespective of age, the 25 year mark tends to be the point at which many employees will end their career. Of our current commissioned staff, almost 92% will reach 25 years of service before age 60, less than 2% will reach 25 years of service at age 60, and less than 7% would retire at age 60 with less than 25 years of service, as follows:

| | <u>Employees</u> | <u>Percent</u> |
|---|------------------|----------------|
| Eligible to retire with 25 yrs of service prior to 60 YOA | 988 | 91.8% |
| Retire with 25 yrs of service at 60 YOA | 17 | 1.6% |
| Retire with less than 25 yrs of service at 60 YOA | 71 | 6.6% |
| Totals | 1,076 | 100.0% |

Although it is noted that individuals can work past 25 years of service in the WSPRS and earn additional retirement credit, our experience for the past six years has indicated that, on average, one person per year has worked to age 60 then retired. Our average age at retirement in WSPRS is 52.2 years of age and our median age at retirement is 52.3 years of age.

Based on this analysis, it seems that this bill would only benefit one person per year, if they so choose to continue to work after being retirement-eligible. Consequently, I recommend that this proposed bill not move forward as there is no demonstrable benefit to public safety.

Sincerely,


CHIEF RONAL W. SERPAS

RWS:cf

cc: Senator Shirley Winsley

Mr. Matthew M. Smith, Office of the State Actuary ✓

Mr. Robert C. Thurston, President, WSPTA

Captain Glenn M. Cramer, Government and Media Relations

Mr. Robert L. Maki, Budget and Fiscal Services

Ms. Diane C. Perry, Management Services Bureau



Select Committee on Pension Policy

P.O. Box 40914
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December 16, 2003

Representative Ed Murray, Chair
Legislative Transportation Committee
P.O. Box 40600
Olympia, WA 98504-0600

RE: MANDATORY RETIREMENT AGE FOR WASHINGTON STATE PATROL

Dear Representative Murray:

On behalf of the Select Committee on Pension Policy (SCPP), we request that the Legislative Transportation Committee consider the following proposal during the next interim and report back to the SCPP with a recommendation. The proposal is to increase the mandatory retirement age in the Washington State Patrol Retirement System from 60 to 65. This issue was brought to the Committee by the Washington State Troopers Association, and was introduced in the 2003 session as HB 1323. The proposal was renewed during the 2003 interim and the SCPP heard it again on November 18, 2003. At that time, the Executive Committee deferred action on the measure until its December meeting.

At today's meeting the SCPP determined that the issue of whether to increase the mandatory retirement age for members of the Washington State Patrol is not just a public pension issue; rather, it is an issue with implications for the safety of transportation in the State of Washington. Therefore, we think it would be appropriate for your committee to incorporate a study of this issue into your work plan for the 2004 interim.

The Office of the State Actuary can provide you with background materials that are pertinent to this issue. We appreciate your consideration of this matter, and look forward to hearing from you.

Sincerely,

Representative Steve Conway, Chair

Senator Shirley Winsley, Vice-Chair

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director
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Senator Don Carlson

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David Westberg
SERS Actives

Senator Shirley Winsley*
Vice Chair

***Executive Committee**

FISCAL NOTE – DRAFT

REQUEST NO.

| | | | |
|-----------------------------|-------|----------|--------------|
| RESPONDING AGENCY: | CODE: | DATE: | BILL NUMBER: |
| Office of the State Actuary | 035 | 12/09/03 | Z-0891.1/04 |

SUMMARY OF BILL:

This bill impacts the Washington State Patrol Retirement System (WSPRS) by increasing the mandatory retirement age from 60 to 65.

Effective Date: 90 days after session.

CURRENT SITUATION:

Currently, members of the WSPRS must retire at 60 years of age. Only the Chief of the Washington State Patrol may serve after age 60. The WSPRS is the only open state-administered retirement system that has a mandatory retirement age.

Plan 1 members who retire with at least 25 years of service are eligible for up to 5 years of prior military service.

MEMBERS IMPACTED:

We estimate that any of 1,035 active members of this system could be affected by this bill if they choose to work beyond age 60.

This bill would also allow active Plan 1 members who will complete 25 years of service after age 60 (current mandatory retirement age) to earn prior military service credit if eligible.

FISCAL IMPACT:

Currently few members work to age 60. In most cases, the actuarial present value of an unreduced pension at age 60 is greater than the value of an increased pension benefit commencing after age 60 (increased for salary and service beyond age 60).

Actuarial Determinations:

The bill will impact the actuarial funding of the system by decreasing the present value of benefits payable under the System (for existing members impacted by this bill) and the required actuarial contribution rate as shown below:

| <i>(Dollars in Millions)</i> | | Washington State Patrol Retirement System: | | |
|---|--|---|-----------------|--------------|
| | | Current | Increase | Total |
| Actuarial Present Value of Projected Benefits | | \$686 | \$(2) | \$684 |
| (The Value of the Total Commitment to all Current Members) | | | | |
| Unfunded Actuarial Accrued Liability | | N/A | N/A | N/A |
| (The Portion of the Plan 1 Liability that is Amortized at 2024) | | | | |
| Unfunded Liability (PBO) | | \$(180) | \$(2) | \$(182) |
| (The Value of the Total Commitment to all Current Members Attributable to Past Service) | | | | |
| Required Contribution Rate | | (3.03)% | (.22)% | (3.25)% |

Fiscal Budget Determinations:

While there is no impact while the plan remains fully funded, below we show the change in the projected contributions starting when the plan is no longer expected to be fully funded (based on a 13.6% rate of investment return through August 31, 2003 and assuming an annual return on the Market Value of assets of 8% thereafter).

Costs (in Millions):

2004-2005

State:

General Fund \$0.000

Non-General Fund 0.000

Total State \$0.000

Local Government \$0.000

Total Employer \$0.000

Total Employee \$0.000

2005-2007

State:

General Fund \$(0.013)

Non-General Fund (0.211)

Total State \$(0.224)

Local Government \$0.000

Total Employer \$(0.224)

Total Employee \$(0.224)

2004-2029

State:

General Fund \$(0.196)

Non-General Fund (3.077)

Total State \$(3.273)

Local Government \$0.000

Total Employer \$(3.273)

Total Employee \$(3.273)

State Actuary's Comments:

Predicting when a plan might come out of full funding is rather difficult. The effect of the proposed plan change is more predictable, once the plan is no longer fully funded. The above costs are based on one projection of costs which shows the plan to emerge from a fully funded status with our next valuation (9/30/03) which is the basis for the recommended 2005-2007 contribution rates. We have estimated the actual rate of investment return for the period 10/1/2002 through 8/31/03 at 13.6%. The return on assets usually has the most significant impact on the plan's funding status from one year to the next.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2002 actuarial valuation report of the Washington State Patrol Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

The retirement rates for LEOFF 2 were used for ages 60 to 65: (33% for age 60, 37% for ages 61 to 63, 48% age 64, 100% for age 65)

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2004 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces:

- The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL.
- The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

1 AN ACT Relating to establishing the retirement age for members of
2 the Washington state patrol retirement system; and amending RCW
3 43.43.250.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.43.250 and 1982 1st ex.s. c 52 s 26 are each
6 amended to read as follows:

7 (1)(a) Until July 1, 2004, any member who has attained the age of
8 sixty years shall be retired on the first day of the calendar month
9 next succeeding that in which ((said)) the member ((shall have)) has
10 attained the age of sixty((~~PROVIDED, That~~)). However, the
11 requirement to retire at age sixty ((shall)) does not apply to a member
12 serving as chief of the Washington state patrol.

13 (b) Beginning July 1, 2004, any active member who has obtained the
14 age of sixty-five years shall be retired on the first day of the
15 calendar month next succeeding that in which the member has attained
16 the age of sixty-five. However, the requirement to retire at age
17 sixty-five does not apply to a member serving as chief of the
18 Washington state patrol.

1 (2) Any member who has completed twenty-five years of credited
2 service or has attained the age of fifty-five may apply to retire as
3 provided in RCW 43.43.260, by completing and submitting an application
4 form to the department, setting forth at what time the member desires
5 to be retired.

--- END ---